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AZ CORP COMMISSION
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IN THE MATTER OF THE COMMISSION'S INQUIRY
INTO RETAIL COMPETITION

DOCKET NO. E-00000W-13-0135

SunEdison, LLC submits the enclosed comments in response to initial reply comments to the Arizona Corporation Commission's inquiry into retail competition.

Comments hereby submitted August 16, 2013.

Signed,

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Original and 13 copies filed on August 15, 2013 with:
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Arizona Corporation Commission
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Response Comments of SunEdison

SunEdison appreciates this opportunity to provide comments in response to interested parties' initial replies to the Arizona Corporation Commission's ("ACC" or the "Commission") inquiry into retail electric competition.¹ SunEdison submitted response comments to the Commission's inquiry on July 15, 2013. SunEdison is a global polysilicon and semiconductor manufacturer and second largest solar developer in the world with over 1.3 GW of solar under management globally, submitted. The comments provided in this filing continue to reiterate the position provided in the July 15, 2013 comments by SunEdison and encourage the Commission to continue promoting the retail electric discussion to determine whether it is in Arizonan's best interest.

Fundamental Considerations for Market Restructuring

Reliability and Resource Adequacy

Ensuring a reliable electric supply is critical to maintaining customer satisfaction, attracting new businesses, and living in a region with extreme climate zones. Restructured markets can successfully deliver reliability while ensuring the lowest prices possible. For example, PJM utilizes the "Reliability Pricing Mechanism" ("RPM"), which is a capacity auction which locks in a firm price for electric capacity three years into the future. In order to maintain high reliability standards, the system operator or the Commission can define reliability standards that reflect compliance obligations and the subsequent capacity procured through the auction. The reliability standard should be supported through a liquid market for energy and capacity, with clearing prices that reflect customers' willingness to pay for the electrical service they choose. This type of liquid market enables participation of generating and load side resources, such as distributed generation and demand response technologies, as well as sparks innovation.

A Customer's Right to Choose

Technology continues to rapidly advance and propel it's users into worlds of increasing self-reliance and digital interfaces. The technical sector's advances have spilled into the electrical generation business,

¹ Docket No. E-00000W-13-0135. Application for Docket Opening. May 14, 2013.



bringing more resources directly into the homes and businesses of consumers and affording them the opportunity to take more control over how they power their needs. As technology advances and customers' choices increase, so must the markets that provide a platform that enables customers to do so. A restructured market that enables load-customers to directly contract with generation or procure electrical services through a retail electric provider inherently produces more choices for customers as a result of competition: competition drives innovation and reliability at the lowest possible cost.

It is important to apply customer choice to all customer classes, including residential and small commercial. If the customer elects to stay with their incumbent electric provider, then they can choose to do so; however, all customers should have that option.

Restructuring of Generation, in Addition to Retail

In general, it is SunEdison's position that liquid markets that support a forward electrical capacity market in addition to a real-time and day-ahead energy market and ancillary services market are necessary to ensure reliability standards (as defined by the Commission or system operator) are met. Several nuanced considerations must also be made when determining pricing mechanisms and triggers to ensure that the market sends the right signals to investors to support adequate generation is available to maintain reliability. The inclusion of a forward capacity market and energy market helps resolve some of the challenges ERCOT is facing, and builds-off the successes PJM has seen with efforts such as their demand response program in their RPM market. Restructuring of the retail and generation components of markets have proven to be complimentary in some markets, such as ERCOT, which fully implemented nodal pricing in 2010.

If generation restructuring is considered, it should be done in such a way that new investment in generation is encouraged, while addressing any of the incumbent investor-owned utilities' concerns around reasonable stranded costs. All of the effected parties should be at the table when discussing market restructuring in an effort to promote non-discriminatory policies, efficient market design, and a smooth market transition. This can be a timely and arduous process.

If the Commission prefers prioritizing market redesign on an issue-by-issue basis, we propose the first element addressed is rate design and that the a permanent AG-1 "like" program be implemented statewide to provide wholesale to retail access for residential, small commercial and large commercial



and industrial customers who wish to enroll. For those that don't, they can stay with their incumbent investor-owned utility.

Competition is Good for Arizona

In Arizona Public Service's "Informed Perception Project" with ASU's Morrison Institute in 2011, approximately 55% of participants surveyed felt generating their own power is important; approximately 70% ranked keeping rates low as important; and approximately 80% support increased use of renewable resources.² These results suggest that customers want low rates and are interested in the resources that power their load: the interest in self-generation and increased adoption of renewables, all while keeping rates low, can be achieved through a well-designed restructured market because it better reflects the *market's needs* (e.g., customers' load) rather than an investor-owned utilities' structured portfolio.

Competition drives rates down because the retail service becomes commoditized kilowatt-hours that force providers to differentiate based on innovation and low pricing. As companies differentiate through creative, niche product design, this enables greater load-side participation through demand response and solar programs where customers can take greater ownership and management of their power supply with less government regulation while upholding safety and grid reliability requirements. Another effect of low electric rates is the ability to attract new businesses to the state. As a major operating expense for large commercial and industrial clients, low electricity prices are essential to where they locate large business operations.

SunEdison applauds the Commission for the feedback they've solicited from interested parties and the desire to provide ratepayers with the low-cost, reliable electricity. Market restructuring is very detailed and may take several years to fully implement, however best-practices can be gained from existing markets and engaged participants to expedite Arizona's efforts. SunEdison encourages the Commission to continue discussions of retail competition to identify whether there is an appropriate market restructuring proposal to provide Arizonan's with competitive, low rates that aren't saddled with high expected investor returns and cross-subsidation.

² Arizona Public Service and ASU's Morrison Institute "Informed Perception Project" pages 18-22.
<http://morrisoninstitute.asu.edu/publications-reports/aps-informed-perception-project-report-final>